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SHAREHOLDER NEWS

PONDER OILS LTD.

1211 Centre Street North
CALGARY, ALBERTA T2E 2R3

Consolidated Statement of Net Income and Source
and Application of Funds for the Six Months Ending
June 30, 1974

TO THE SHAREHOLDERS:

During the first six months of 1974 your company and its wholly-owned subsidiaries, DISCOVERY, INC. and UNIVERSAL PRINTERS LTD., had a net income of \$132,698 or 4.8¢ per share as compared with earnings of \$35,002 or 1.3¢ per share for the same period in 1973.

Our Alberta petroleum income has continued to increase and we are actively scouting new plays. In Waite Valley, Alberta, we have gas showings on one wildcat just completing, and will continue tests.

Our American production in Discovery, Inc. continues to increase. Our drilling has slowed down due to a shortage of drilling rigs in the U.S. We still have two wells to complete in our Texas program which should be completed in 1974.

Both sales and earnings of Universal Printers Ltd. improved in the second quarter and indications are that the trend will continue for the remainder of the year.

Unaudited statements are provided for your information but should not be used to predict results for the calendar year.

August 20, 1974

E. NISSEN,
President

PONDER OILS LTD.

Consolidated Statement of Income (Unaudited)
For the Six Months Ended June 30, 1974 and 1973

	1974	1973
Revenue	\$2,231,483	\$1,820,089
Deduct:		
Operating expenses	1,884,428	1,588,614
Interest	54,074	69,361
Depreciation and depletion	128,383	122,519
	2,066,885	1,780,494
Income before income taxes	164,598	39,595
Provision for income taxes (See note):		
Current	17,500	4,593
Deferred	14,400	—
	31,900	4,593
Net income for the period	\$ 132,698	\$ 35,002
Net income per common share	4.8¢	1.3¢

Note:

The companies follow the tax allocation method of accounting for income taxes. Tax reductions arising from the election by the Company's U.S. subsidiary to charge off for tax purposes intangible development costs and the excess of percentage over book depletion are included in current income.

Consolidated Statement of Source and Application
of Funds (Unaudited)
For the Six Months Ended June 30, 1974 and 1973

	1974	1973
Source of funds:		
Operations:		
Net income for the year	\$ 132,698	\$ 35,002
Add expenses not requiring an outlay of funds		
Depreciation and depletion	128,383	122,519
Deferred income taxes	14,400	—
Funds from operations	275,481	157,521
Increase in long term debt	260,000	—
Reduction in mortgage receivable	524	646
	536,005	158,167
Application of funds:		
Purchase of property, plant and equipment, net	290,064	267,392
Mortgage principal payments	33,486	32,503
	323,550	299,895
Increase (decrease) in working capital	\$ 212,455	\$ (141,728)



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Shareholder news

and consolidated statements of net income
and source and application of funds for the
six months ended June 30, 1972.

PONDER OILS LTD.

TO THE SHAREHOLDERS:

During the first six months of 1972, your Company and its wholly-owned subsidiaries, **Discovery, Inc.**, and **Universal Printers Ltd.** had a net income of \$83,322 (3.0c per share) after providing for estimated income taxes, as compared to earnings of \$124,260 (4.5c per share) for the same period in 1971.

The Coutts-Moulton "A" Unit in Southern Alberta produced 66,608 barrels of oil in the first six months of 1972 as opposed to 35,850 for the same period in 1971. Ponder Oils Ltd. owns a 12.06% working interest in this unit.

Discovery, Inc. has drilled 7 wells in the second quarter for a total of 14 for the six month period. Commitments call for the Company to drill another 19 locations in 1972 and 1973.

Universal Printers Ltd. experienced a decrease in earnings. A portion of this can be attributed to the interruptions of production caused by the move of the Paperback Division to new premises.

Please note, on the reverse side, the unaudited statements provided herewith for your information. They should not, however, be used as a basis for predicting results for the calendar year.

August 17, 1972.

E. NISSEN,
President.

CONSOLIDATED STATEMENT OF NET INCOME (UNAUDITED)

For the Six Months Ended June 30

	1972	1971
Revenue	\$2,063,469	\$1,903,076
Operating expenses	1,914,621	1,674,313
	148,848	228,763
Provision for income tax	65,526	104,503
Net income	\$ 83,322	\$ 124,260
Net income per common share	3.0c	4.5c
Cash flow per common share	7.2c	8.5c

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (UNAUDITED)

For the Six Months Ended June 30

	1972	1971
Source of funds:		
Operations:		
Net income for six months	\$ 83,322	\$124,260
Charges against income not requiring funds:		
Depreciation and depletion	115,136	105,653
Loss on disposal of fixed assets	—	110
Proceeds from sale of fixed assets	3,420	5,008
	201,878	235,031
Application of funds:		
Purchase of property, plant and equipment	184,570	74,517
Payments on principal of long term debt	33,055	30,000
Miscellaneous	434	740
	218,059	105,257
Increase (decrease) in working capital	\$ (16,181)	\$129,774